



Tennessee State Board of Accountancy
Department of Commerce and Insurance

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MEETING MINUTES

April 29, 2005

The meeting of the Tennessee State Board of Accountancy convened in the Davy Crockett Tower, Nashville, Tennessee on Friday, April 29, 2005, at 8:00 a.m.

Members present were Micheal Vaughn, Chairman; Doug Warren, Vice-Chair; Kenneth Cozart, Secretary; Max Haught, William Underwood, Stanley Sawyer, Joseph Buffler and Robert Davidson.

Also present were Linda Biek, Executive Director; Ernie Sykes, Staff Counsel; Leona Johnson, Administrative Assistant; Mark Crocker, Investigator; and Dan Syriac, Administrative Manager.

Micheal Vaughn called the meeting to order at 8:00 a.m. Mr. Vaughn welcomed the Board Members and announced that David Curbo would not be in attendance due to the death of his best friend. This is the first Board Meeting Mr. Curbo has missed in his 8 years of serving on the Board. Mr. Vaughn also announced that Dan Johnson lost the Mayor's race in Chattanooga but has taken the job as the Mayor's Chief of Staff. Mr. Vaughn asked for a motion to approve the minutes of the November 22, 2004, Board meeting. Bill Underwood motioned to approve the minutes of the November Board meeting with amendments (1. Add Doug Warren to the list of Members present and 2. Add clarification to item #6 in Executive Director's report). Max Haught seconded the motion; it was voted on and passed.

Linda Biek presented the Executive Director's Report: (see attached report)

1) Linda announced the following Board Meeting dates:

June 21, 2005	April 28, 2006
October 28, 2005	July 28, 2006
January 6, 2006	October 27, 2006

There was a discussion between the Board Members of future travel for Board Meetings to coincide with the TSCPA Convention each year and also possible Board retreat with orientation for new Board Members.

2) Wrong exams were loaded by Prometric and as a result 12 individuals received the wrong exam on February 24, 2005. The candidates were given the option to retake the exam or wait until June for the exam they were given to be graded. The Board's Executive Committee made a decision to allow those candidates who have decided to wait for their score and extra window for testing.

3) Prometric has announced that they plan to increase the exam fee/seat time from \$17.00 to \$22.50. Our contract is with CPAES and does not allow for a fee increase for 2 more years.

Mr. Vaughn introduced Ernie Sykes, the Board's new Legal Counsel, and Mr. Sykes informed the Board Members of the available options.

4) Wesley Johnson was selected by the NASBA Nominating Committee as the nominee for Vice Chair. Mr. Johnson lives in Baltimore and is retired from KPMG.

5) The NASBA Regional Meeting will be held June 8-10 in Baltimore. Let me know if you are interested in attending so that Leona can put in a travel request by May 2nd.

6) The Peer Review Oversight Committee position for the middle Tennessee member expires in November. Applications will be taken from interested individuals from May 1st through June 15th.

7) Tennessee has the lowest renewal fees in the country.

- 8) Please review the attachments which focus on the CBT and exam fees.
- 9) The Committee responsibilities included in your packet still needs to be amended and will be presented at the June Meeting.
- 10) Executive Director's monthly review of Board expenditures shows our revenue to be down and our costs to be up compared to this time last year. A discussion of the budget and the attributing factors was held at this time. Max Haught, Robert Davidson and Doug Warren will meet with Commissioner Flowers prior to the next Board Meeting.
- 11) NASBA is seeking committee volunteers.
- 12) The Accounting Licensee Database (ALD) is being developed by NASBA and Tennessee is one of the six pilot states that will go on-line in June. An issue has come up that has impeded the progress of the project. NASBA is considering unique identifiers other than the social security numbers. Some of these may include 4 or 6 digits extracted from the SSN. Does the Board feel this is in conflict with the Federal Privacy Act? The Board voiced they are skeptical of using any part of the SSN and feel that NASBA needs to find a unique identifies that does not use any part of the SSN, such as the name plus the birth date.
- 13) NASBA has asked all State Boards for assistance in marketing efforts to increase the number of CPA exam candidates. Can we allow NASBA to send material to candidates to market the CPA exam? The Board held a lengthy discussion on the idea of allowing CPA candidates to take the CPA exam before they get their 150 hours, but they will need the 150 hours to get the actual CPA certificate. Mr. Vaughn asked Ernest Sykes to advice the Board at the next meeting if this would require a law change or a rule change.

Mary Moody, General Council came into the Meeting to update the Board Members on the case filed by Mr. Tongate. Ms. Moody will have the Board attorney present a full report at the next meeting.

BREAK

Ernie Sykes presented the Attorney's Report:: (copy attached) Mr. Sykes informed the Board that there are 130 open cases at various stages of the complaint process. Forty six cases are included in Mr. Sykes report with recommendations of closure. Consent order cases will be closed once they are paid as per the Board Policy and will not be brought back to the Board. Mr. Sykes will not report on every case; only cases which require Board actions will be presented at each meeting.

Robert Davidson presented the Probable Cause Committee report: Board Members reviewed cases as listed on the report and gave recommendations of action to the Board. Robert Davidson motioned to approve the Probable Cause Committee Report and recommendations as written. Bill Underwood seconded the motion; it was voted on and approved. Some discussion took place regarding increased cases of Identity theft and also unpaid civil penalties. Ernie will check with the AG's office to see if we can go through Chancery Court to collect civil penalties. Also, Ernie will try to get a representative from the AG's office to attend our next Board Meeting to answer questions of the Board Members.

Kenneth Cozart presented the CPE Committee Report: (Report attached)

- 1) We received a request from a foreign academic credentials organization to be approved by our Board. Further research is necessary and we will report back to you on this at a future meeting.
- 2) The Board received a request to recognize Chartered Accountants from Mexico and Ireland as a reciprocal agreement. The Committee recommends the Board approved the reciprocal agreements. Mr. Cozart motioned to approve the reciprocal agreements with Mexico and Ireland. Robert Davidson seconded the motion; it was voted on and approved.
- 3) Mr. Cozart reported the issuance of 93 new CPA certificates and 45 reciprocal CPA certificates whose experience and other qualifications have been approved by the Board's staff. Ken Cozart made a motion to ratify the approval of the CPA certificates. Robert Davidson seconded the motion; it was voted on and approved.

Linda Biek informed the Board Members that this ratification is required by Board Policy and may not be necessary any more. Ms. Biek will look into the law and rules to see if this is required; if not the policy may need to be revised or eliminated.

A lengthy discussion of reciprocity took place at this time.

Bill Underwood presented the Peer Review Committee Report:

- 1) He reported that fifty eight (58) new firms have registered since the last Board Meeting. Mr. Underwood motioned to ratify the approval of the 58 new firms. Robert Davidson seconded the motion; it was voted on and approved.
- 2) Mr. Underwood report that 9 firms have not responded to the 2004 peer review requirement and that there are a total of 20 possible complaints for non-compliance.
- 3) The peer review manual has been updated and mailed out to all of the approved reviewers on the State Board list.
- 4) The 2005 peer review list has been pulled and shows a possible 150 State Board reviews.
- 5) The Committee approved one peer review exempt letter.
- 6) The Middle Tennessee Oversight Committee Member position will come open this year. Applications will be taken from May 1st through June 15th.
- 7) The peer review requirement is not taken seriously by many firms and we have no set discipline policy for the firms in non-compliance. The committee will be looking into setting policy into place and also holding more hearings to bring individuals in to appear in person and explain why they are not in compliance. Robert Davidson motioned for Ernie and Leona to compile a list of firms in non-compliance with peer review whose firm permit has expired and cannot be renewed and to submit this list to the Board in June to be approved to be sent to the TSCPA for publication in the newsletter, journal or on the website. After clarification that we would not be alleging that the permit was revoked or suspended, just in non-compliance with peer review and therefore cannot be renewed, Joseph Buffler seconded the motion; it was voted on and approved. Ernie will check into our law and rules to see if this is allowed or not.
- 8) There was an incident where a reviewer did not complete a pre-issuance review in the time specified and the firm had to pick up the work papers and hire another reviewer to perform the pre-issuance review. The Committee recommends sending a letter to the reviewer asking for an explanation and his response.
- 9) The Peer Review Committee is looking for policies and guidance to have consistency in their actions.

Max Haught presented the Administrative Committee Report:

- 1) Mr. Haught informed the Board that, as Linda Biek has mentioned in her report, the committee responsibilities will be updated and presented at the next Board Meeting for Board approval. Also, it was agreed that three board members would attempt to meet with Commissioner Flowers prior to the next Board meeting of June 21 to discuss our desire to open a better line of communications between the State Board of Accountancy and the Department of Commerce and Insurance with discussions to include financial matters, including charge-back allocations and our projected results for fiscal 2005.
- 2) Mr. Haught discussed the Executive Director's job description as attached. Mr. Haught motioned that the job description document that outlines the duties and responsibilities of the Executive Director be adopted by the Board as presented and to be effective immediately with a copy of the document to be attached to the minutes. Bill Underwood seconded the motion; it was voted on and approved.

LUNCH

Old Business:

New Business:

Doug Warren informed the Board that NASBA is proposing some changes including changes to qualifications for colleges offering accounting programs, unaccredited accounting departments would not qualify. This would disqualify many of Tennessee's Colleges. NASBA is also proposing changing

the accounting and business hours required to increase them to 30 and 36. Right now Tennessee's requirement is 24 and 24. After some discussion the Board agreed to not support the proposed changes in the qualifications for college accounting programs, and to support an increase in the accounting and business course requirement to 30 and 30. However these changes would require law and rule changes.

Rules Discussion:

The Board Members were all given a copy of the Rules with the proposed changes highlighted in blue several weeks ago. Mr. Sykes advised the Board Members that since they all had time to review the proposed changes, at this time, he would not go through each change but the Board could discuss any of the proposed changes of which they had questions or comments.

- Rule 0020-2-.01 (5) was discussed and the Board Members came to an agreement to have Ernie add a sentence to subsection (7) that would allow the Board to set a Policy to be administered by the staff to approve a non-accredited institution (junior college, college or university holding membership in the Association of Independent Colleges and Schools).
- Rule 0020-6 Peer Review Program was discussed in regards to confidentiality and 62-1-201. Ernie informed the Board that our peer review records are kept in locked filing cabinets apart from the firm permit files. Our peer review files are kept confidential and leave us no worry.
- Rule 0020-5-.03 (1)(d) was discussed to get the Board Members thoughts on putting the carry over CPE hours back into our rules. At this time carry over is not available after December 31, 2005. After much discussion the Board agreed to reinsert carry over CPE to be limited to 24 hours each reporting period noting that carry over hours can not be used to meet the 20 hour minimum required each year.
- Rule 0020-5-.05(3)(a) was discussed and the Board agreed to have Ernie add "or the successor organizations to those listed above" at the end of the paragraph.
- Rule 0020-1-.05(1) was noted to have the word capitalize the 'c' in the word Certified in the first sentence.
- Rule 0020-1-.08 (6) & (7) was discussed and the Board agreed to change the word "will" to "may" in both subsections.
- Rule 0020-5-.03 (1)(b) was discussed to determine the number of ethic CPE hours that would be required. After much discussion, Joseph Buffler made a motion to have Ernie work this subsection to read that the Board requires 4 hours of ethics CPE every 2-year renewal cycle with 2-hours to be in Tennessee State Board of Accountancy Law and Rules. Bill Underwood seconded the motion. Robert Davidson made a motion to amend Mr. Buffler motion adding that the Board has the authority to consider lowering the 4 hours to 2 hours after the first cycle. Kenneth Cozart seconded that motion. Ernie informed the Board that this wording would be more in line with a policy and not appropriate as a rule. Robert Davidson withdrew his motion. The Board voted on the original motion by Mr. Buffler. The motion passed with 6 Yes votes, 1 no vote and 1 abstention.
- Rule 0020-2-.02(1)(a)1. was discussed and the Board Members agreed to leave in the quarter hour conversions in this subsection and also in subsections (1)(a)3. and (1)(b)2.
- Rule 0020-3-.05(2)(d) was discussed and the Board Members agreed to remove this subsection because it is not in the statute.
- Rule 0020-5-.03(3)(b) was discussed and the Board Members agreed to leave in this subsection which was originally proposed to be removed.

Doug Warren made a motion to take these proposed rule changes to a Rule Making Hearing. Joseph Buffler seconded the motion; it was voted on and passed.

There being no further business to come before the Board Bill Underwood motioned to adjourn the meeting.

CHAIRMAN

SECRETARY